

STATE OF LOUISIANA :
PARISH OF EAST BATON ROUGE :

Lease No. 340.

WHEREAS, under the provisions of Act No. 30 of the Extra Legislative Session of 1915, as amended by Act 315 of 1926, application was made to the Governor for a lease of the hereinafter described lands, and a report thereon having been made by the Register of the State Land Office; and,

WHEREAS, in response to said advertisements, bids were received at the State Capitol on the 4th day of February, 1936, in the presence of A. P. White and Carl Campbell; and,

WHEREAS, it appears that the bid of Wm. T. Burton, hereinafter styled "lessee", is the most advantageous to the State of Louisiana:

NOW, THEREFORE, Be It Known And Remembered, that said Governor James A. Noe, acting under the authority of the said Act No. 30 of the Extra Session of 1915, as amended by Act No. 315 of 1926, and in accordance with the terms thereof, and acting in behalf of the State of Louisiana as "lessor", does hereby let and lease unto the said lessee, his heirs and assigns, the hereinafter described property, for the purpose of exploiting the same by geophysical means in locating mineral bearing structure thereon, and for producing therefrom oil, gas and/or other minerals, in and under said property, and also the exclusive right of drilling and operating thereon for oil, gas and/or other minerals, together with a right-of-way for, and the right to lay pipe lines to convey water, oil, steam and gas, and the right to have sufficient water, oil and gas from the premises for all of lessee's operations thereon, and also such other privileges as are reasonably requisite for conducting such operations, and the right to remove from said premises at any time any and all property that may have been placed thereon by lessee, provided that the said lessee shall have fulfilled his obligations to lessor hereunder.

The said property to which this instrument applies is described as follows:

"All of the property now or formerly constituting the beds and other bottoms of lagoons, lakes, gulfs, bays, coves, sounds, inlets and other water bodies, and also all islands and other lands belonging to the State of Louisiana and not under lease from the State on the date of application, namely, Jan. 8th, 1936, and being situated or included within the following described boundaries:

"Beginning on the mean high water line at the most westerly tip of Terrebonne Parish, La., known as Pointe au Fer, and running along said mean high water line as it follows the shores of Atchafalaya Bay, Four League Bay, East Bay, Morrison's Cut-off, Bayou Sale Bay, East Cote Blanche Bay, West Cote Blanche Bay, Jaws or Little Bay, Vermilion Bay, Weeks Bay, and of all lagoons, lakes, bays, coves, sounds, inlets, and other water bodies adjoining or forming arms of said named bays, excluding, however, all rivers, creeks, streams or bayous tributary thereto, said mean high water line, with the exception of that part bordering Four League Bay or arms thereof,

following the shores of Terrebonne, St. Mary, Iberia, and Vermilion Parishes, to the most eastern point on that promontory of land forming the west side of Southwest Pass; thence in a general westerly direction along the shore of the Gulf of Mexico to the dividing line between Cameron and Vermilion Parishes; thence south along said dividing line into the marginal or maritime belt of the Gulf of Mexico to the extreme limit or boundary of the domain, territory, and sovereignty of the State of Louisiana; thence easterly along said limit or boundary to a point due south of place of beginning; thence north to place of beginning, including in particular the beds and bottoms of Vermilion Bay, Weeks Bay, West Cote Blanche Bay, Jaws or Little Bay, East Cote Blanche Bay, Bayou Sale Bay, Morrison's Cut-off, East Bay, Atchafalaya Bay and Four League Bay, Southwest Pass and part of the Gulf of Mexico; this particularization, however, not being or intended to be all-inclusive.

"LESS AND EXCEPT MARSH ISLAND and the beds and bottoms underlying the following three described tracts:

"Tract #1/ That part of Vermilion Bay lying in the N $\frac{1}{2}$ of T. 15 S., R. 3 E., La. Mer.

"Tract #2/ That part of Vermilion Bay lying in Iberia Parish.

"Tract #3/ That part of Bayou Sale Bay and East Cote Blanche Bay bounded as follows:

"On the east and south by the shore line of St. Mary Parish, on the north by the north line of Township 17 South - Range 9 East, Louisiana Meridian, and on the west by a line running due north from Pt. Chevreuil to the north line of said township.

"All of the above described property lying within the Parishes of Vermilion, Iberia, St. Mary, and Terrebonne, State of Louisiana."

I.

Lessee has this day paid to lessor the sum of Seventy Five Thousand & No/100 (\$ 75,000.00) Dollars for the right to begin operations for the drilling of a well on the herein leased premises at any time within one (1) year from the date hereof, for lessee's right to delay such operations under the conditions hereinafter provided, and for all other rights hereby granted.

Should lessee fail to begin operations for the drilling of a well on the herein leased premises within the one (1) year period above provided, then the said lessee is granted the right to defer such operations for an additional one (1) year period by paying to lessor the sum of Thirty Seven Thousand Five Hundred & No/100 (\$ 37,500.00) Dollars on or before the expiration of the one (1) year period from the date hereof. Lessee may continue to delay such operations for the drilling of a well on the herein leased premises for successive periods of one (1) year by paying to lessor the sum of Thirty Seven Thousand Five Hundred & No/100 (\$ 37,500.00) Dollars on or before the expiration of any period during which lessee shall have deferred operations for the drilling of a well on the herein leased premises; provided, however, that lessee's right to defer the beginning of operations for the drilling of a well on the herein leased premises shall not exceed in the aggregate five (5) years from the date of this lease.

If during the period of five (5) years from date hereof, and prior to the discovery of oil, gas or other mineral in

paying quantities, lessee shall begin drilling operations on the leased premises and shall thereafter cease such drilling operations for more than six (6) months, then the said lessee may continue his rights in effect for the remainder of said five (5) year period by resuming the payment of the annual rental hereinabove provided, and by paying to lessor within six (6) months from the cessation of such drilling operations said annual rental for the current period which lessee must have paid to maintain his rights had lessee begun no such operations.

II.

(a) If at any time during said five (5) year period lessee shall commence operations for the drilling of a well upon said leased premises, lessee shall thereupon have the right to select and retain under the terms and conditions of this lease fifty thousand (50,000) acres surrounding said well, free from the rental hereinbefore stipulated, said selection to be made by lessee at the time of completion of said well, or thereafter, at the option of said lessee, and if said operations result in the production of oil, gas or other mineral in paying quantities, this lease shall remain in full force and effect as to said fifty thousand (50,000) acres so long thereafter as oil, gas or other mineral is produced in paying quantities from any well on said fifty thousand (50,000) acres.

(b) Having so commenced the drilling of said well referred to in paragraph (a) next preceding, and having thereby earned the right to hold and retain under the terms and conditions of this lease fifty thousand (50,000) acres surrounding said well, free of rental, lessee is granted the right of continuing said lease as to all of the remainder of the acreage embraced therein, less said fifty thousand (50,000) acres, from year to year, by paying to lessor in advance the annual rental of Thirty Seven Thousand Five Hundred & No/100 (\$37,500.00) Dollars, which, when so paid, shall serve to extend said lease as to such remaining acreage for the full period of one (1) year.

(c) If at any time while this lease is in force lessee commences operations for the drilling of another well on another prospective area, separate from the area hereinabove provided for, he shall have then earned the right to select and retain under the terms and conditions hereof an additional area of fifty thousand (50,000) acres surrounding said well, free from the rentals hereinbefore stipulated, said selection to be made by lessee at the completion of said well, or thereafter, at lessee's option, and if said operations result in the production of oil, gas or other mineral, this lease shall remain in full force and effect as to said area of fifty thousand (50,000) acres so long thereafter as oil, gas or other mineral is produced in paying quantities from any well on said area.

(d) Having so commenced the drilling of said well referred to in paragraph (c) next preceding, and having thereby earned the right to hold and retain under the terms and conditions of this lease an additional fifty thousand (50,000) acres surrounding said well, free of rental, making a total of one hundred thousand (100,000) acres which lessee shall be entitled to retain under the terms and conditions hereof, free of rental, lessee is granted the right of continuing said lease as to all of the remainder of the acreage embraced herein, less said one hundred thousand (100,000) acres, from year to year, by paying to lessor in advance the annual rental of Thirty Seven Thousand

Five Hundred & No/100 (\$37,500.00) Dollars, which, when paid, shall serve to extend said lease, as to such remaining acreage, for the full period of one (1) year.

(e) If at any time while this lease is in force, lessee commences operations for the drilling of another well on a third and separate prospective area from the prospective areas mentioned in the paragraphs (a) and (c) above, he shall have then earned the right to retain under the terms and conditions of this lease the entire acreage embraced herein free from any rentals, so long as operations on all of said three separate prospective areas are continuous, in the sense that until oil, gas or other mineral is produced in paying quantities not more than six (6) months shall lapse between the abandonment of work on one well and the beginning of operations for the drilling of another well, and if said operations on all of said three separate areas result in the production of oil, gas or other mineral, then, subject to the other provisions hereof, this lease shall remain in full force and effect so long thereafter as oil, gas or other mineral is produced in paying quantities from all of said three separate areas.

(f) After the expiration of the primary term of five (5) years, if lessee should cease operations upon said leased premises, this lease shall not be terminated thereby, if lessee shall, at his election, within six (6) months from the date of such cessation of operations, (a) continue or resume operations upon any one prospective area located upon the herein leased premises and resume the payment to lessor of the annual rental of Thirty Seven Thousand Five Hundred & No/100, (\$37,500.00) Dollars, thereby maintaining said lease in full force and effect in its entirety from year to year during the time that drilling and/or production operations are being conducted upon said leased premises; or lessee may, at his election, (b) select as much as fifty thousand (50,000) acres on and surrounding each separate prospective area upon which lessee elects to continue or resume operations, and release the remainder of said leased premises, whereupon this lease shall remain in full force and effect as to each separate area so selected and retained, free from the payment of any delay rental, so long as lessee conducts continuously drilling operations, as hereinbefore defined, upon each selected area, and if production of oil, gas or other mineral in paying quantities results from said operations, then this lease shall remain in full force and effect as to each of said fifty thousand (50,000) acres areas, so long as oil, gas or other mineral is produced therefrom.

After the production of oil, gas or other mineral from said leased premises, lessee shall have the right to select and retain fifty thousand (50,000) acres surrounding each of said productive areas, and to hold the same under the conditions hereof so long as oil, gas or other mineral is produced therefrom, and if production should cease from any cause this lease, as to said selected area, shall not be terminated thereby if lessee commences drilling or reworking operations within six (6) months from such cessation of production, and if such operations result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said selected area hereunder.

(g) The payments of rentals and royalties provided by this lease may be made by the check or draft of lessee mailed or delivered to lessor.

III.

In event oil, gas or other mineral is discovered in paying quantities on any one of said prospective areas, then this lease shall remain in full force and effect as to the fifty thousand (50,000) acres surrounding said well and comprising said prospective area so long as production continues therefrom; and in event oil, gas or other mineral is discovered in paying quantities on as many as three separate areas, then and in that event this lease, in its entirety, shall remain in full force and effect as to the entire acreage herein leased, so long as oil, gas or other mineral is produced in paying quantities from said three separate areas.

If, after oil, gas or other mineral is discovered in paying quantities, production on any of said separate areas should cease from any cause, this lease shall not be terminated thereby as to such area if lessee, within six (6) months from the date of such cessation, resumes operations for the drilling of additional wells or reworking existing wells on said area, or if lessee is at that time prosecuting drilling operations upon one or more other separate areas located upon the leased premises, said lessee is granted the right and privilege within said six (6) months period from the date of said cessation of production of resuming the payment of the annual rental stipulated in article II hereof in lieu of such drilling or reworking operations.

If in the exercise of the rights herein granted oil, gas or other mineral is discovered in paying quantities in or on the leased premises, said lessee binds himself to thereafter proceed with the further development of said premises with reasonable diligence and to so continue until a reasonable development of the property has been accomplished.

Lessee further agrees that he will, while maintaining this lease in effect, drill any and all wells necessary on the premises to prevent material drainage of oil and/or gas therefrom by wells on adjoining property.

IV.

Should oil, gas and/or other mineral be produced in paying quantities on the premises hereunder, then the said lessee shall deliver to lessor as royalty, free of expense:

One-eighth (1/8th) of all oil produced and saved, delivery of said oil to be understood as made when same has been received by the first purchaser thereof. Or lessee may, in lieu of said oil delivery, and at his option, pay lessor sums equal to the value thereof on the premises; provided, that the price paid lessor for said oil shall not be less than the average posted pipe line price then current for oil of a like grade or quality.

One-eighth (1/8th) of all gas produced and utilized, delivery of said gas to be understood as made when same has been received by the first purchaser thereof. Or lessee may in lieu of said gas delivery, and at his option, pay to lessor sums equal to the value thereof at the well, provided that the price paid lessor for said gas shall not be less than the average price then current for gas of like character or quality.

Two (\$2.00) Dollars per long ton for all sulphur produced and saved.

Ten (10¢) cents per ton for all potash produced and

saved.

One-eighth (1/8th) of any and all other minerals not specifically mentioned, said royalties to be delivered or paid as is the accepted custom in such matters.

Should lessee, at any time after beginning to exploit the premises as understood herein, decide that he no longer cares to carry on drilling operations, then the said lessee is granted the right to cease such operations, and lessee shall, if he so elects, retain his rights in and to ten (10) acres of the property for each and every well which lessee shall have drilled thereon in an effort to produce oil or gas therefrom; provided that said well or wells shall be located on that portion or portions of the property so retained by lessee; and provided further, that lessee's rights in and to that portion of the premises so retained shall endure only so long as lessee shall produce oil, gas or other mineral from one or more of said wells on said premises in paying quantities.

Should lessee at any time elect to abandon operations as above provided, then lessee shall notify lessor in writing of his intention to so do, and shall specify what portion or portions of the said premises the said lessee is entitled by virtue hereof to retain and operate; and lessee shall, as soon as practicable thereafter, execute any instrument or instruments necessary to a proper release of the undeveloped portion of the premises.

VI.

It is agreed and understood that lessee shall not be required to drill more than one well for each forty (40) acres held hereunder where the premises shall prove to be productive of gas only, save and except where such well, or wells, are necessary to prevent drainage of gas from the said premises by wells on adjacent property; and it is further agreed that should lessee at any time elect to abandon drilling operations as provided in paragraph V hereof, then the said lessee shall be entitled to retain his rights in and to forty (40) acres for each and every gas well from which he shall at such time be producing gas in paying quantities; provided also, that any well or wells so producing shall be located on that portion or portions of the property retained by lessee; and provided further, that lessee's right to so hold such portion or portions of the said premises shall endure only so long as lessee shall produce therefrom gas in paying quantities.

VII.

If at any time during the life of this lease, lessee elects to no longer maintain the rights herein granted in effect, then the said lessee shall have the right to release and reassign unto lessor any and all rights hereby held unto lessee, whereupon this contract shall wholly terminate.

VIII.

It is agreed and understood that operations hereunder shall offer no impediment to navigation.

If, in the exercise of the rights herein granted, lessee shall discover oil in paying quantities upon said leased premises, then and in that event lessee agrees to pay to lessor, as an additional consideration for this lease, the sum of _____

Five Hundred Thousand & No/100
(\$500,000.00) Dollars, to be paid to lessor only from the proceeds of one-one hundred twenty eighth (1/128) of the first oil produced, saved and marketed from said leased premises, which said sum shall not be a personal obligation but shall only be paid from the proceeds of one-one hundred twenty eighth (1/128th) of the first oil produced, saved and marketed from the premises herein leased, if, as and when produced, saved and marketed, and in no other manner.

IX.

It is further agreed and understood that no transfer, whether in whole or in part, of the herein leased property shall be valid unless such transfer or assignment be approved by the Governor of the State of Louisiana.

THUS DONE, READ, ACCEPTED AND SIGNED by the parties hereto, the lessor, the State of Louisiana, herein represented by James A. Noe, Governor, and the lessee, Wm. T. Burton, in the presence of A. P. White and Carl Campbell, and before me, H. C. Comish, Assistant Secretary of State, on this 7th day of February, 1936.

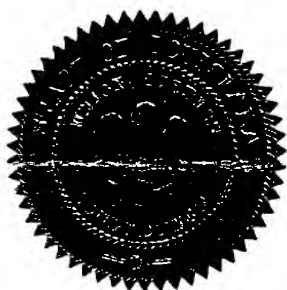
Witnesses:

A. P. White

Carl Campbell

James A. Noe
Governor
for the State of Louisiana, Lessor

Wm. T. Burton
Lessee



H. C. Comish
Assistant Secretary of State